



**DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220**

DATE: January 20, 2012

TO: Housing Finance Agencies involved in the HHF Program

FROM: Office of Financial Stability Antifraud Unit

RE: Hardest Hit Fund® Antifraud Alert – Monitoring Contractors and Reporting to Treasury Credible Evidence of Fraud

The Office of Compliance within the U.S. Department of the Treasury's (Treasury) Office of Financial Stability (OFS Compliance) has established an Antifraud Unit to manage fraud related matters in the Troubled Asset Relief Program (TARP). The OFS Antifraud Unit assists OFS program managers to prevent, detect, and mitigate potential fraud risks within TARP programs, including the Hardest Hit Fund® Program – "HHF". The OFS Compliance Antifraud Unit is publishing this Antifraud Alert to inform HHF participants of the importance of monitoring the activities of third party contractors and maintaining compliance with the Housing Finance Agency (HFA) Participation Agreement (HPA) fraud reporting guidelines.

I. Contractors and Fraudulent Schemes

The HPA requires that each HFA and Eligible Entity supervise and manage any contractor engaged to assist in the performance of the services under the agreement. Each HFA and Eligible Entity must also ensure all of its contractors comply with the provisions of the HPA. While tools and functions may be outsourced, managerial responsibility rests with the HFA or Eligible Entity.

In addition to being a requirement of the HPA, monitoring your contractors (e.g., housing counselors, advisor agencies) can help protect your residents from scams and illegal practices. All entities are susceptible to fraudulent schemes including the non-profits, community based organizations, and law practices that have been contracted by many HFAs to perform services under the HPA. Examples of relevant fraudulent schemes include advance-fee fraud, extortion, embezzlement, false advertising, false billing, forgery, and identity theft. Should you become aware or have concerns about fraudulent activities notify Treasury. It is a good idea should you have to terminate a relationship with a contractor that you confirm they have removed any program related advertising.

A. Advance Fee Scams

The OFS Compliance Antifraud Unit has identified third party advance fee scams as a significant threat to consumers seeking loan modification services. The Federal Trade Commission (FTC) Mortgage Assistance Relief Services (MARS) Rule prohibits mortgage relief companies from

charging customers up-front fees for loan modification services; however, customers are duped by companies promising loan modifications, collecting payments up front and then providing little to no service. Be aware that a growing number of law practices have entered into the business of assisting consumers in applying for loan modifications or performing so-called “forensic loan audits,” often times to circumvent this advance fee prohibition. Consumer complaints have been filed against many of these practices for charging consumers up front in exchange for a guaranteed loan modification that is never received.

We encourage HFAs and Eligible Entities to implement practices that will prevent and detect this activity if occurring with housing counselors, advisor agencies, or other third parties. For example: (1) Inquire of HHF applicants if they were asked by a housing counselor, advisor agency, or any other organization to pay an up-front fee or donate funds for HHF services; (2) Require housing counselor or advisor agencies to prominently disclose in marketing materials, on their website, and any other communication with consumers that the HHF Program is free of charge.

B. Online Marketing

As discussed in the Hardest Hit Fund Antifraud Alert issued March 24, 2011, the risk of online scammers and copycat websites is a significant threat to consumers seeking assistance with retaining their homes. Accordingly, aggressively enforcing specific marketing guidelines for housing counselor or advisor agencies will assist in the effort to educate consumers on how to apply for HHF assistance and drive traffic towards legitimate websites sponsored and authorized by Treasury and away from potential scammers. Suggested marketing guidelines include requiring contracted agencies to provide on their websites:

- Links to the official Treasury websites as well as the HFA’s HHF website (www.financialstability.gov, www.treasury.gov)
- A statement that HHF assistance is free of charge
- Language encouraging consumers to contact the OFS Compliance Antifraud Unit or the SIGTARP hotline if fraud, waste, abuse, mismanagement or misrepresentations affiliated with HHF is suspected

The marketing guidelines should also prohibit agencies from:

- Using the HHF program to solicit other business
- Making false statements and claims about the HHF program
- Inferring that the organization is part of or affiliated with Treasury, other government organizations, or servicers
- Use of a federal government organization seals or logos (e.g., Treasury seal, HUD, FHFA)

C. Monitoring Consumer Complaints

Another practice that can help protect the integrity of the HHF program and consumers is to proactively monitor housing counselor or advisor agencies for consumer complaints. Online resources such as www.bbb.org, www.complaintsboard.com, www.ripoffreport.com, and news

article searches can alert you to potential consumer abuses and violations of program guidelines. Your state and local government offices such as the Office of the Attorney General and licensing organizations can also be helpful.

II. Reporting to Treasury

The HPA requires each HFA and Eligible Entity to immediately disclose to Treasury any discovered credible evidence, in connection with the agreement and the services, that a management official, employee, or contractor of Eligible Entity has committed, or may have committed, a violation of the referenced statutes or other wrongdoing. We encourage HFAs and Eligible Entities to develop procedures on how to handle reports of misconduct and determining if credible evidence of fraud or an inappropriate conflict of interest exists. The procedures should also include steps on how to report this information to Treasury. In addition, report to Treasury any entities misrepresenting association with the Treasury, HHF, or the HFA. **When in doubt, please notify Treasury!**

III. Hardest Hit Fund Registered Trademark

In the last few weeks, the Treasury received from the U.S. Patent & Trademark Office (USPTO) official trademark registration certificates for several of the TARP housing programs, including for the “Hardest Hit Fund®”. These registrations enhance the Treasury’s ability to enforce against third party scammers using our marks to impersonate the Treasury or TARP housing programs. Consistent with necessary and best trademark practices, we ask that from this point forward on your website(s) and future press releases, you please include (or replace if you are presently using the “™”) the “®” immediately following the phrase “Hardest Hit Fund” (“Hardest Hit Fund®”).

IV. Who to Contact for Questions or Concerns?

HFAs should always feel free to contact the HHF Program Director Mark McArdle (Mark.McArdle@treasury.gov) of the OFS Homeownership Preservation Office, at any time regarding questions or concerns.

For fraud related questions or to report fraud concerns related to the HHF or any other TARP program please contact the OFS Antifraud Unit (OFS.AntifraudUnit@treasury.gov).